Tiffany (NJ) Inc. et al v. eBay Inc. Doc. 52

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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| **TIFFANY (NJ) INC. and TIFFANY AND COMPANY,**<br>**Plaintiffs,**<br>**v.**<br>**eBAY INC.,**<br>**Defendant.** | **Case No. 04 Civ. 4607 (KMK)** |

# DEFENDANT EBAY'S OPPOSITION TO TIFFANY'S PRETRIAL MEMORANDUM

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Tiffany's "Memorandum of Law in Opposition to Defendant's Pretrial Memorandum," which constitutes Tiffany's belated filing of its own view of the law governing this dispute, reflects Tiffany's continuing – and ultimately futile – search for a legal basis for ascribing liability to eBay. The lack of foundation for Tiffany's claims is further revealed by Tiffany's continued inability to state with consistency either the conduct engaged in by eBay that is said to violate Tiffany's rights or the remedy that Tiffany would prescribe for it.[1] Tiffany's claims should be dismissed.

## I. TIFFANY CANNOT DEMONSTRATE THAT EBAY IS LIABLE FOR CONTRIBUTORY TRADEMARK INFRINGEMENT

As eBay explained in its Pretrial Memorandum, the legal framework for this case is that laid out in Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844 (1982). Under Inwood, central to any plaintiff's claim of contributory trademark infringement is its demonstration that the defendant "continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement." Id. at 854. Tiffany's attempts to meet – or, more accurately, to sidestep – the stringent Inwood standard are unavailing.

[1] On the eve of trial in this litigation, Tiffany still cannot articulate the relief that it is seeking. As eBay pointed out in its Pretrial Memorandum, dated April 2, 2007 ("eBay Mem."), Tiffany is incapable of indicating whether its desired relief pertains to all Tiffany merchandise, only Tiffany jewelry, or only Tiffany silver jewelry. Compare, e.g., Tiffany's Memorandum of Law in Opposition to Defendant's Pretrial Memorandum, dated April 13, 2007 ("Pl. Mem.") at 19 (addressing "Tiffany silver jewelry") with Pl. Mem. at 19-20 (discussing all "Tiffany" listings). In responding to eBay's argument that Tiffany seeks to enjoin all manner of Tiffany listings, even unquestionably authentic ones, Tiffany responds that it "has never requested such broad relief." Pl. Mem. at 21. In the very same filing, Tiffany states precisely the opposite, arguing that the Court "should enjoin eBay from allowing Tiffany silver jewelry to be offered for sale . . ." Pl. Mem. at 3, regardless of whether such jewelry is authentic. Tiffany also raises, for the first time, yet another potential form of relief: allowing sales of Tiffany merchandise on eBay only if that merchandise was acquired directly from Tiffany. See id. at 22. The ever-shifting conceptions of the relief that it claims to be entitled to underscores the vacuousness of Tiffany's entire case.

### A. Absent Knowledge of Specific Infringing Activity, eBay Has No Affirmative Duty to Seek Out and Prevent Such Activity

In an effort to shift onto eBay the burden of policing Tiffany's trademarks such that, at a minimum, eBay will refrain from carrying *any* items purporting to be Tiffany silver jewelry, Tiffany rewrites two related concepts of contributory trademark infringement: the requirement that knowledge be of specific infringing activity and the principle that absent such knowledge, entities have no affirmative duty to seek out and prevent infringing activity.

Citing not a single trademark case in support of its assertion, Tiffany first claims that it need not establish that eBay has knowledge or reason to know of *specific* infringements before eBay has a duty to act. See Pl. Mem. at 9. Tiffany's contention fails to accord with the law. Numerous trademark decisions have made clear that liability for contributory infringement may arise only where a defendant fails to respond to specific infringing activity and that an entity like eBay is not obligated to act upon solely generalized knowledge that a trademark owner's rights are possibly being infringed. As Justice White stated in his concurring opinion in Inwood, a defendant is not "require[d] . . . to refuse to sell to dealers who merely *might* pass off its goods." Inwood, 456 U.S. at 861 (White, J., concurring) (emphasis in original). See also, e.g., Procter & Gamble Co. v. Haugen, 317 F.3d 1121, 1129-30 (10th Cir. 2003) (holding that plaintiff could not satisfy knowledge prong where defendant responded to acts of specific infringement) (citing Inwood, 456 U.S. at 855); Medic Alert Found. U.S., Inc. v. Corel Corp., 43 F. Supp. 2d 933, 939-40 (N.D. Ill. 1999) (refusing to impose contributory liability on software manufacturer whose users infringed third-party's trademark contained as part of software; manufacturer had no knowledge of specific infringements and manufacturer included user agreement prohibiting infringing activity); J. Thomas McCarthy, 4 McCarthy on Trademarks and Unfair Competition § 25:20 (2006) ("trademark owners may have a difficult road in establishing liability unless notice of specific infringements was unheeded by the service provider") (internal quotation marks and citation omitted).

The requirement that knowledge be of specific infringements is reinforced by the related concept that, absent such knowledge, an entity like eBay has no affirmative duty to take action with respect to infringements. See eBay Mem. at 18-19. It is thus clear that "a claim for contributory infringement *must fail* if it depends on imposing upon [defendant] an affirmative duty to police the mark for a trade name owner." Lockheed Martin Corp. v. Network Solutions, Inc., 175 F.R.D. 640, 646 (C.D. Cal. 1997) (emphasis added) (internal quotation marks and citation omitted). Tiffany's argument that "eBay is obligated to take affirmative steps to prevent the sale of counterfeit Tiffany silver jewelry on its website," Pl. Mem. at 13, thus also must fail.

Even the flea market cases on which Tiffany heavily relies (and which we further discuss infra) have rejected the premise that the putative infringers there had a duty to take precautions against potential counterfeiting. See Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc., 955 F.2d 1143, 1149 (7th Cir. 1992). Even though the defendant flea market operators – in stark contrast to eBay – easily could monitor and patrol the flea market and had the opportunity to see first-hand the allegedly infringing items, the court in Hard Rock squarely rejected the argument pressed by Tiffany here, concluding that the defendants had "no affirmative duty to take precautions against the sale of counterfeits." Id. The court emphasized that "the 'reason to know' part of the standard for contributory liability . . . does not impose any duty to seek out and prevent violations." Id.

In Hendrickson v. eBay, Inc., 165 F. Supp. 2d 1082 (C.D. Cal. 2001), the court reached the same conclusion with respect to eBay itself. There, despite the plaintiff's claim that the offending item, a DVD film, had never been released, and, accordingly, that *every single* *listing* offering the item was infringing, the court refused to order eBay to proactively take action against future infringing listings, observing that "no law currently imposes an affirmative duty on companies such as eBay to engage in such monitoring." Hendrickson, 165 F. Supp. 2d at 1095 (internal quotation marks and citation omitted).[2]

Tiffany mischaracterizes eBay's stated legal position, as well as the fact record, in asserting that eBay has taken "the position that the problem must be addressed exclusively by Tiffany." Pl. Mem. at 13. eBay, of course, has taken no such stance. As Judge Daniels recently concluded, eBay has implemented "a reasonable process" "for the plaintiff and any manufacturer to identify, intercept and have eBay prevent the sale of counterfeit merchandise in a timely manner." Robespierre, Inc. a/k/a "Nanette Lepore" v. eBay Inc., 05 CV 10484 (GBD) (S.D.N.Y. Mar. 29, 2006) (March 29, 2006 Hearing Transcript) at 34-35 (Exhibit A to the Declaration of Randi W. Singer, dated April 2, 2006, submitted with Defendant eBay's Pretrial Memorandum ("Singer Decl.")). (This is not to mention the fact of eBay's extensive voluntary proactive efforts to combat counterfeiting. See eBay Mem. at 5-6.) Notably, in reaching this conclusion, and contrary to Tiffany's contention, see Pl. Mem. at 14, at the heart of the Court's decision in Robespierre lay its rejection of the argument that the knowledge standard of Inwood could be satisfied, not by demonstrating knowledge of specific infringements, but merely based upon a showing that a certain "percentage of . . . goods on eBay were counterfeit." Pl. Mem. at 14. The Court indicated that its ruling in favor of eBay would have been warranted even if there had been evidence "that there's some counterfeits in thousands, if not more, of the kinds of merchandise" of a trademark holder being offered on the eBay website. March 29, 2006 Hearing Transcript at 7. See also eBay Mem. at 21-22.

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[2] Tiffany attempts to gloss over the additional cases cited by eBay in support of the foregoing propositions with the conclusory assertion that "the defendant either did not have a suspicion that it was facilitating trademark infringement or, when it did have such a suspicion, it took reasonable measures to remedy the problem." Pl. Mem. at 13. The cases, in fact, are directly on point. Like eBay here, the defendants there took action upon obtaining knowledge of infringing activity. See eBay Mem. at 18.

Unable to rebut the foregoing trademark authority, Tiffany resorts with equal futility to copyright law. See Pl. Mem. at 11-12. Putting to one side that the doctrine of contributory trademark infringement is a narrower one than its copyright counterpart, see Hard Rock, 955 F.2d at 1150 ("secondary liability for trademark infringement should . . . be more narrowly drawn than secondary liability for copyright infringement"), none of the cases that Tiffany cites stands for the proposition that liability can arise absent evidence of specific infringements nor imposes on the defendant an affirmative duty to seek out infringements. To the contrary, the cited cases merely demonstrate that liability can be triggered where a defendant deliberately ignores evidence of obvious infringing activity. See, e.g., Arista Records, Inc. v. MP3Board, Inc., No. 00 Civ. 4660 (SHS), 2002 WL 1997918, at *7-8 (S.D.N.Y. Aug. 29, 2002) (holding that files on online service provider's music service containing words like "illegal" gave defendant reason to know of infringing activity). By contrast, liability cannot be imposed on "internet service providers . . . for copyright infringements that are not immediately apparent or of which they have no actual knowledge." Perfect 10, Inc. v. CCBill, Inc., 340 F. Supp. 2d 1077, 1087 (C.D. Cal. 2004), aff'd in part and rev'd in part, No. 04-57143, 2007 WL 925727 (9th Cir. Mar. 29, 2007). Relatedly, the Digital Millennium Copyright Act, upon which eBay has modeled its notice-and-takedown system, expressly rejects liability conditioned upon the "service provider monitoring its service or affirmatively seeking facts indicating infringing activity." 17 U.S.C. § 512(m).[3]

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[3] Tiffany ignores the body of copyright authority cited in eBay's Pretrial Memorandum establishing that knowledge must be of specific infringing activity. See, e.g., A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004, 1027 (9th Cir. 2001) ("we place the burden on plaintiffs to

### B. Tiffany Cannot Establish that eBay Suspects Wrongdoing and Deliberately Fails to Investigate

Tiffany asserts that eBay is "just like the swap meet operators in Hard Rock and Fonovisa," Pl. Mem. at 6, in an effort to sweep this case into the rubric of those decisions. But, as a matter of fact, eBay is entirely distinct from such flea markets, and, as a matter of law, the doctrine of willful blindness, which is central to those cases, has no applicability here.

Hard Rock and Fonovisa involved businesses that provided physical venues at which third-party vendors leased space to sell merchandise. See Hard Rock, 955 F.2d at 1145-47; Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259, 261-62 (9th Cir. 1996). At these venues, "similar to many other swap meets in this country," "customers [came] to purchase various merchandise from individual vendors." Fonovisa, 76 F.3d at 261. In both cases, the flea market operators were capable of identifying, and in fact saw first-hand, the counterfeit items at issue: in Hard Rock, t-shirts with "cut labels" that "were being sold cheap," Hard Rock, 955 F.2d at 1149; in Fonovisa, tens of thousands of counterfeit sound recordings that were "routinely" being sold, Fonovisa, 76 F.3d at 260-61. In Hard Rock, the court found evidence that, even having seen the t-shirts, the operators deliberately failed to investigate further – "did not ask vendors whether their goods were counterfeit because they were sure to lie to him," Hard Rock, 955 F.2d at 1149.[4] In Fonovisa, on a Rule 12(b)(6) motion, it was alleged that the swap meet operator took no action even after a raid by the sheriff's department, a seizure of 38,000 bootleg records, a

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provide notice to Napster of copyrighted works and files containing such works available on the Napster system before Napster has the duty to disable access to the offending content"); Hendrickson, 165 F. Supp. 2d at 1093 (holding that Digital Millennium Copyright Act requires service provider to remove materials posted on its system only "when it receives notice of claimed infringement").

[4] Even on such facts, the court in Hard Rock found the evidence of willful blindness to be "at best, thin." Id.

follow-up investigation by the sheriff's department, and requests from the sheriff's department to provide identifying information for each vendor at the swap meet. Fonovisa, 76 F.3d at 261, 265.

The facts as to eBay are entirely distinct. eBay is not a physical venue at which merchandise is visibly on display and subject to eBay's inspection. eBay, in fact, never sees the items offered for sale on its site. Moreover, there is absent from the record here any evidence that eBay has turned a blind eye to obvious indicia of infringement. To the contrary, eBay has invested tens of millions of dollars in an effort to avert counterfeiting on its site. And in stark contrast to the "ostrich-in-the-sand" behavior of the swap meet operators, eBay diligently has responded to *every* notification by Tiffany of claimed infringements and has suspended users that repeatedly infringe Tiffany's rights so that they cannot continue to list counterfeit Tiffany items. See eBay Mem. at 20-22.

Accordingly, the doctrine of willful blindness, as discussed in eBay's Pretrial Memorandum, see eBay Mem. at 20-22, has no application here. It is confined to the circumstance where the defendant "suspect[ed] wrongdoing and deliberately fail[ed] to investigate." Hard Rock, 955 F.2d at 1149. Willful blindness "requires more than mere negligence or mistake." Nike, Inc. v. Variety Wholesalers, Inc., 274 F. Supp. 2d 1352, 1369-70 (S.D. Ga. 2003), aff'd mem., 03-14293, 107 Fed. Appx. 183 (11th Cir. May 3, 2004). If the defendant "did not know of a high probability of illegal conduct and purposefully contrive to avoid learning of it" or "did not fail to inquire further out of fear of the result of its inquiry," then willful blindness cannot be found. Id.[5]

[5] These concepts, and the facts at issue in cases such as Hard Rock and Fonovisa, reinforce the principle that a defendant's duty to act is only triggered when that defendant has knowledge of – or, as particularly relevant with respect to Hard Rock and Fonovisa, is willfully blind to –

As noted, neither Hard Rock nor Fonovisa supports Tiffany's argument. Tommy Hilfiger Licensing, Inc. v. Goody's Family Clothing, Inc., No. 1:00-CV-1934-BBM, 2003 WL 22331254, at *19-22 (N.D. Ga. May 9, 2003), also cited by Tiffany, see Pl. Mem. at 8, only reinforces the inapplicability of the concept of willful blindness here. The defendant in Goody's, a chain of retail stores, purchased counterfeit Hilfiger merchandise from a third party and resold that merchandise in its stores. In making the purchases, the defendant, among other evidence of willful blindness: ignored documents from the third party that were suspicious on their face; did not question when the third party changed its business name without reason; and did not question the large quantities of goods being offered or delays in their deliveries, despite the third party's claims that the products were overruns. See id.[6]

### C. Tiffany Ignores a Critical Prong of the Inwood Test

Though one would hardly know it from reading Tiffany's papers, contributory liability only attaches when a defendant, once possessed of the requisite knowledge of infringing activity, fails to take steps to remediate it – in the words of Inwood, "continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement." Inwood, 456 U.S. at 854. See also American Tel. & Tel. Co. v. Winback & Conserve Program, Inc., 42 F.3d 1421, 1433 n.14 (3d Cir. 1994) (stating that contributory liability could not be

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*specific* infringing activity. Indeed, the defendants in both Hard Rock and Fonovisa were found to be potentially willfully blind not to amorphous infringing conduct but instead to specific instances of infringement.

[6] Tiffany's desperation to find a legal hook on which to hang eBay's liability here leads it to cite United States v. Chemicals for Research & Industry, 10 F. Supp. 2d 1125 (N.D. Cal. 1998), for the proposition that "[t]he meaning of 'knowledge or reason to know' . . . 'falls somewhere between the requirements of negligence and knowledge.'" Pl. Mem. at 7 (quoting Chemicals, 10 F. Supp. 2d at 1128). Remarkably, this "authority" involves interpretation of a provision of the *Controlled Substances Act* – thus having no relation whatsoever to trademark law, let alone the doctrine of contributory trademark infringement.

imposed where defendant "took appropriate steps" "in the instances where [plaintiff] brought objectionable acts . . . to the attention of [defendant]") (citation and quotation marks omitted).

Ignoring this crucial second prong of the Inwood analysis, Tiffany seeks to hold eBay liable merely "when 'it knows or has reason to know' that its sellers would engage in trademark infringement." Pl. Mem. at 7 (citation omitted). Tiffany conveniently ignores the further necessary showing that, once apprised of actual infringements on its website, eBay has failed to remove the offending listings. The record, of course, is starkly to the contrary: upon the mere allegation by Tiffany that a listing is counterfeit, eBay promptly takes action. See eBay Mem. at 12-13.[7]

[7] Tiffany again distorts the law in its response to eBay's arguments as to the questionable applicability of Inwood to a service provider. See Pl. Mem. at 3-6. As eBay heretofore explained, see eBay Mem. at 11-12, with respect to a defendant that does not fall within the traditional "product" paradigm at issue in Inwood, any liability must be premised "on a defendant's *direct control and monitoring of the instrumentality* used by a third party to infringe the plaintiff's mark." SB Designs v. Reebok Int'l, Ltd., 338 F. Supp. 2d 904, 913 (N.D. Ill. 2004) (emphasis added). Courts have circumscribed Inwood along those lines so as to properly limit the application of the contributory infringement doctrine to only those defendants that truly have contributed to infringing activity. In all of the cases cited by Tiffany, see Pl. Mem. at 4-6 and 4 n.1, the defendant exerted control over the instrumentalities used for infringement. See Lockheed Martin Corp. v. Network Solutions, Inc., 194 F.3d 980, 985 (9th Cir. 1999) ("In Fonovisa and Hard Rock . . . , the defendants licensed real estate, with the consequent direct control over the activity that the third-party alleged infringers engaged in on the premises."). By contrast, courts have held that the standards articulated in Fonovisa and Hard Rock do not apply in the online context: "While the landlord of a flea market might reasonably be expected to monitor the merchandise sold on his premises, [defendant] cannot reasonably be expected to monitor the Internet." Lockheed Martin Corp. v. Network Solutions, Inc., 985 F. Supp. 949, 962 (C.D. Cal. 1997), aff'd, 194 F.3d 980. Here, where eBay has no custody or control over the items that third-party sellers offer on the eBay website and no editorial control over the listings that such third parties post to describe their items, there is no basis for extending Inwood. See eBay Mem. at 11-12. See also Hendrickson, 165 F. Supp. 2d at 1094 ("eBay is not actively involved in the listing, bidding, sale and delivery of any item offered for sale on its website. eBay's evidence shows that it does not have any control over the allegedly infringing items.").

## II. CONTRIBUTORY INFRINGEMENT JURISPRUDENCE DOES NOT INCORPORATE THE RESTATEMENT STANDARD FOR LIABILITY

Tiffany asserts that even if it cannot prove its claim under the controlling Supreme Court precedent of Inwood, contributory liability still may attach under the Restatement. For support, Tiffany cites Section 27 of the Restatement (Third) of Unfair Competition (1995), a section entitled, "Contributory Infringement By Manufacturers and Distributors," which by its terms applies only to manufacturers and distributors, not entities like eBay. See Restatement (Third) of Unfair Competition § 27 comment a ("This Section imposes contributory liability on a manufacturer or distributor for infringing sales made by others.").

Tiffany's principal support for the viability of the Restatement is found in Coca-Cola Co. v. Snow Crest Beverages, Inc., 64 F. Supp. 980, 989 (D. Mass. 1946), aff'd, 162 F.2d 208 (1st Cir. 1947), a sixty-year-old district court case that predates the Lanham Act. But far from "explicitly approv[ing]" Coca-Cola, as Tiffany suggests, Pl. Mem. at 10, the Supreme Court in Inwood discredited the "reasonable anticipation" standard articulated in Coca-Cola and the Restatement. The Court in Inwood thus explained:

> Justice White, in his opinion concurring in the result, voices his concern that we may have "silently acquiesce[d] in a significant change in the test for contributory infringement." . . . Justice White's concern is based on a comment by the Court of Appeals that the generic manufacturers "could reasonably anticipate" illegal substitution of their drugs. If the Court of Appeals had relied upon that statement to define the controlling legal standard, the court indeed would have applied a "watered down" and *incorrect standard.*

Id. at 854 n.13 (citations omitted) (emphasis added).

Indeed, modern courts universally have rejected the "reasonable anticipation" approach to contributory infringement – regardless of whether the claim was grounded in inducement or continued supply of a product. See, e.g., Procter & Gamble Co. v. Haugen, 158 F.

Supp. 2d 1286, 1294 (D. Utah 2001), aff'd, 317 F.3d 1121 ("[plaintiff's] argument that [defendant] 'could anticipate the [challenged activity]' does not meet the standard for contributory infringement"); Medic Alert, 43 F. Supp. 2d at 940 ("standard is not whether a manufacturer 'could reasonably anticipate' possible infringement, but rather whether it knew or had reason to know that a third party is engaging in trademark infringement and continued to sell its products to that third-party"); Lockheed, 175 F.R.D. at 646 (noting that Supreme Court "disapprov[ed] standard under which defendant would be liable for contributory infringement if defendant 'could reasonably anticipate' use of product to infringe"); David Berg & Co. v. Gatto Int'l Trading Co., Inc., No. 86 C 10297, 1988 WL 117493, at *5 (N.D. Ill. Oct. 24, 1988), aff'd, 884 F.2d 306 (7th Cir. 1989) ("[t]hat one 'could reasonably anticipate' an illegal use of the mark, however, is not sufficient").[8]

Tiffany fares no better in relying upon comment c of the Reporters' Note for its assertion that the "reasonable anticipation" standard "is alive and operative, even after the Inwood decision." Pl. Mem. at 10. All but one of the cases regarding the "reasonable anticipation" standard that are listed in comment c of the Reporters' Note *predate* Inwood. See Restatement (Third) of Unfair Competition § 27, Reporters' Note, comment c. Tiffany's related claim that "[t]he Coca Cola decision . . . continues to be cited by the courts," Pl. Mem. at 10-11, likewise collapses upon scrutiny. For example, the court in Lockheed Martin Corp. v. Network Solutions, Inc., 985 F. Supp. 949 (C.D. Cal. 1997), aff'd, 194 F.3d 980, cited Coca-Cola in rejecting an argument that "an attorney's demand letter should be sufficient to impute knowledge

[8] In claiming that the rejection of the "reasonable anticipation" standard applies only to inducement claims under Section 27(b) of the Restatement, Tiffany relies upon an artificial distinction said to be contained in the comments to Section 27. See, e.g., Pl. Mem. at 10 ("Comment c to Section 27(b)"). There is no such distinction. In any event, no case cited by Tiffany holds that the rejection of the "reasonable anticipation" standard pertains only with respect to inducement claims, and the cases cited herein refute that distinction.

of infringement." Id. at 964-65 (citing Coca-Cola, 64 F. Supp. at 989-90). Moreover, in a decision in the same litigation two months prior, that court noted that the Supreme Court had "disapprov[ed]" the "reasonable anticipation" standard. Lockheed, 175 F.R.D. at 646. See also, e.g., Levi Strauss & Co. v. Textiles y Confecciones Europeas, S.A., 222 U.S.P.Q. 971, 973-74 (S.D.N.Y. 1983) (listing Coca-Cola among a series of cases that, over the decades, have discussed contributory trademark infringement – before concluding that "[t]he most recent expression of the standard" was enunciated in Inwood).

Even if the Restatement standard applied, which it does not, Tiffany still could not prevail here. Similarly to Inwood, the Restatement is a two-part test that contemplates liability only when a defendant also fails to take "reasonable precautions." Tiffany cannot prove either that eBay reasonably anticipates infringing activity or that it fails to take reasonable precautions. The mere possibility that some third-party users may list items on eBay that *might* be counterfeit does not mean that eBay can be deemed to reasonably anticipate infringing activity. See Coca-Cola, 64 F. Supp. at 988-89. That is especially the case insofar as eBay never has advance knowledge of the content of the third-party listings posted on its site, never has knowledge of what items may be offered on its site before they are listed, never possesses nor has the opportunity to see the items, and can make no determination as to the authenticity of the items.

With respect to "reasonable precautions," moreover, eBay would be "obligated to take *only* those precautions that are *reasonable under the circumstances*." Restatement (Third) of Unfair Competition § 27 comment c (emphasis added).[9] The record here amply demonstrates that eBay takes such precautions.

## III. THE COMMUNICATIONS DECENCY ACT IMMUNIZES EBAY FROM ALL OF TIFFANY'S STATE-LAW CLAIMS

Insofar as Tiffany's state-law claims mirror its federal claims, eBay explained in its Pretrial Memorandum that the state-law claims fail as well. See eBay Mem. at 24. eBay also explained that Tiffany's state-law claims fail for the additional reason that they are barred by the Communications Decency Act ("CDA"). See id. at 24-25. Tiffany's challenge to this latter proposition, see Pl. Mem. at 15-17, warrants brief response.

Tiffany asserts that "eBay's sole basis for this proposition is a set of California decisions interpreting California state statutes." Pl. Mem. at 15. But eBay's authority is far more extensive, including the Ninth Circuit's recent ruling in Perfect 10, 2007 WL 925727, where the court held that the CDA bars all state-law claims, including those pertaining to intellectual property: "Because material on a website may be viewed across the Internet . . . , permitting the reach of any particular state's definition of intellectual property to dictate the contours of this federal immunity would be contrary to Congress's expressed goal of insulating the development of the Internet from the various state-law regimes." Id. at *11.

Perfect 10, issued by a federal appellate court that repeatedly has analyzed questions under the CDA, see, e.g., Carafano v. Metrosplash.com, Inc., 339 F.3d 1119 (9th Cir. 2003); Batzel v. Smith, 333 F.3d 1018 (9th Cir. 2003), makes clear that Tiffany's state-law claims are barred. Tiffany posits that Perfect 10 "should be ignored" because "the Ninth Circuit ignored and failed to consider" Section 230(e)(3) of the CDA, which provides that nothing in Section 230 "shall be construed to prevent any State from enforcing any State law that is consistent with this section." Pl. Mem. at 16-17. But Tiffany fails to address the next sentence of Section 230(e)(3), which states: "No cause of action may be brought and no liability may be imposed under any State or local law that is inconsistent with this section." 47 U.S.C. § 230(e)(3). The court in Perfect 10 deemed the state-law claims asserted there as inconsistent with the CDA, and the same conclusion is compelled here. See Perfect 10, 2007 WL 925727, at *11 (CDA "expressly preempts any state law to the contrary").[10]

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[9] See also id. at § 27, Reporters' Note, comment d (defendant is not required to take most severe precautionary measures, including "to terminate its business relationship with the infringer," "if it reasonably believes that less drastic precautions will deter further infringement"); id. at § 27 comment d ("in many instances the manufacturer or distributor may initially be justified in relying upon requests to cease the infringement or assurances from the other that it will do so"; only "in extreme cases of persistent infringement" may "refusal to supply further goods" be sole appropriate action by alleged contributory infringer).

Indeed, application of CDA immunity here is consistent with the well-developed body of law recognizing the breadth of that immunity. See, e.g., Almeida v. Amazon.com, Inc., 456 F.3d 1316, 1321 (11th Cir. 2006) (CDA "establish[es] broad federal immunity") (internal quotation marks and citation omitted); Carafano, 339 F.3d at 1123 ("reviewing courts have treated § 230(c) immunity as quite robust"); Ben Ezra, Weinstein & Co., Inc. v. America Online, Inc., 206 F.3d 980, 984-85 (10th Cir. 2000) (Section 230 "creates a federal immunity to *any* state law cause of action that would hold computer service providers liable for information originating with a third party") (emphasis added).[11]

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[10] As eBay explained in its Pretrial Memorandum, moreover, even assuming that Tiffany's state-law claims alleging trademark violations are not barred by the CDA, Tiffany's remaining state-law claims, sounding in unfair competition and false advertising, would be barred. See, e.g., Gentry v. eBay, Inc., 99 Cal. App. 4th 816 (Cal. Ct. App. 2002); Stoner v. eBay Inc., 56 U.S.P.Q. 2d 1852 (Cal. Super. Ct. 2000). Tiffany's contrary suggestion, see Pl. Mem. at 15, is flatly wrong.

[11] In its effort to rebut the foregoing authority, Tiffany relies upon three cases that provide it no support. In Gucci Am., Inc. v. Hall & Assocs., 135 F. Supp. 2d 409 (S.D.N.Y. 2001), the court conceded that its consideration of the scope of CDA immunity was "an issue of first impression," id. at 412, and the limits the court placed on that immunity do not accord with the underlying purpose of the CDA, namely, to avoid holding "service providers liable for information

## IV. EBAY QUALIFIES FOR THE LANHAM ACT'S INNOCENT INFRINGER EXCEPTION

As eBay demonstrated in its Pretrial Memorandum, eBay – if it is found to be an infringer at all – qualifies for the Lanham Act's innocent infringer exception, 15 U.S.C. § 1114(2)(B). See eBay Mem. at 25-29. Tiffany's efforts to rebut this showing are unpersuasive.

Tiffany first relies upon off-point language from Hendrickson which, Tiffany claims, demonstrates that eBay cannot be an innocent infringer. See Pl. Mem. at 18. But the court there indicated that it already had held that eBay qualified for the innocent infringer exception – the precise opposite of what Tiffany is arguing here. See Hendrickson, 165 F. Supp. 2d at 1095 (explaining "Court's recent 'innocent infringer' ruling"). Tiffany is equally off base in asserting that the innocent infringer exception is only available to "member[s] of the media." Pl. Mem. at 18. To the contrary, Congress in 1988 "expanded the category of innocent printers and publishers to include broadcasters of electronic media," World Wrestling Federation Inc. v. Posters Inc., 58 U.S.P.Q. 2d 1783, 1785 (N.D. Ill. 2000), and the court in Gucci recognized that this expansion specifically encompasses Internet service providers. See Gucci, 135 F. Supp. 2d at 419 n.20 (stating that 1988 amendments expanded category to "the typical commercial internet website") (internal quotation marks and citation omitted). See also Hendrickson, No. CV 01-0495 RJK, slip op. at 15-16 (C.D. Cal. July 3, 2001) (Singer Decl. Exhibit C) ("[T]he undisputed facts show eBay is an 'innocent infringer'. . . . eBay does not create, review, approve or edit the

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originating with a third-party user of the service." Zeran v. America Online, Inc., 129 F.3d 327, 330 (4th Cir. 1997). Equally misplaced is Tiffany's reliance on 800-JR Cigar, Inc. v. GoTo.com, Inc., 437 F. Supp. 2d 273 (D.N.J. 2006) and Parker v. Google, Inc., 422 F. Supp. 2d 492 (E.D. Pa. 2006), neither of which addressed the applicability of CDA immunity to state-law claims pertaining to intellectual property. See Pl. Mem. at 16.

content of any advertisement provided by the millions of sellers who use eBay's website. . . . Every day, over one million new listings are 'published' on eBay's web site.").[12]

As to whether eBay is "innocent," Tiffany likewise obfuscates the governing law. See Pl. Mem. at 19. eBay explained in its Pretrial Memorandum that "an infringer is 'innocent' unless it acted either (1) with knowledge of the infringement or (2) with reckless disregard as to whether the material infringed the trademark owner's rights." Gucci, 135 F. Supp. 2d at 420. Tiffany relies on Polo Fashions, Inc. v. Ontario Printers, Inc., 601 F. Supp. 402, 403 (N.D. Ohio 1984), for its claim that eBay is not "innocent," but the Polo Fashions court applied a standard of objective reasonableness that was not adopted in Gucci and that was rejected by the court in NBA Props. v. Untertainment Records LLC, No. 99 Civ. 2933 (HB), 1999 WL 335147 (S.D.N.Y. May 26, 1999). See NBA Props., 1999 WL 335147, at *15 ("Given the legislative history and the stringent requirements under the actual malice standard, it is doubtful that the objectively reasonable standard espoused by [plaintiff] is the appropriate standard."). Under the proper standard, as articulated in NBA and Gucci, the evidence will demonstrate that eBay is, at most, an innocent infringer. See eBay Mem. at 26-27.

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[12] Tiffany wholly misapprehends eBay's business in relying on In re JetBlue Airways Corp. Privacy Litig., 379 F. Supp. 2d 299, 307-08 (E.D.N.Y. 2005), Dyer v. Northwest Airlines Corps., 334 F. Supp. 2d 1196, 1199 (D.N.D. 2004), and Crowley v. Cybersource Corp., 166 F. Supp. 2d 1263, 1270 (N.D. Cal. 2001). Unlike the entities at issue in those cases, see Pl. Mem. at 19, eBay itself does not sell any products or services but rather is merely a venue for third-party sales.

For the foregoing reasons, and for those articulated in eBay's Pretrial Memorandum, eBay respectfully requests that the Court enter judgment in eBay's favor dismissing each of Tiffany's claims.

Dated: New York, New York
April 24, 2007

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## **CERTIFICATE OF SERVICE**

I, Mark J. Fiore, an attorney associated with Weil, Gotshal & Manges LLP, hereby certify that on this 24th day of April 2007, I caused a true and correct copy of Defendant eBay's Opposition to Tiffany's Pretrial Memorandum to be served by hand and electronic mail on:

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